



# **AUDIT CHECKLIST**

## **Requested Items For Office Audit**

- ☐ Real Estate Licenses
- ☐ R.E.C.A.D. Office Policy (\*Acknowledgement of policy signed by all licensees.)
- ☐ Location of closed contracts for past three (3) years
- ☐ All pending sales files
- ☐ Location of all lease contracts, management agreements and rental records
- ☐ Copies of past six (6) months bank statements with canceled checks for all escrow accounts
- ☐ Copies of latest bank reconciliation performed on all escrow accounts, if available
- ☐ Checkbook and or computer check register for all escrow accounts
- ☐ Duplicate deposit tickets with validated bank receipt for all escrow accounts
- ☐ Any lists or ledgers documenting the funds held for escrow purposes
- ☐ Original Continuing Education Certificates

Note: "Escrow Funds" include sales binders, security deposits, rent receipts, and or any other funds held for members of the public.



## **Office Inspection Suggestions**

1. Balance escrow account checkbook as soon as possible after the receipt of each statement.
2. Tape canceled checks back into the checkbook adjacent to the stub so you will have a complete record of the check and not have to search statement envelopes for the check in question.
3. Prepare a continuous list of pending contracts with the amount of earnest money involved. Mark off each transaction as it closes, the money is refunded, or it is forfeited by purchaser or seller.
4. If the bank imposes a service charge, the charge should be deducted from the account before the remainder of the commission is removed to prevent overdraft charges. The Commission has ruled that additional designated funds may be deposited into the account to cover bad checks, service charges, etc.
5. Keep all pending contracts separate from closed contracts.
6. Maintain a separate escrow account for rental or leased property to distinguish it from sales contracts which do not have repairs, owner's payments, etc.
7. Keep written receipts for all funds received, whether by cash or check, as a means of internal control.

## **Rental Property Bookkeeping Suggestions**

- Maintain at least three separate accounts to track funds received and disbursed: 1) security deposits; 2) rent receipts; and 3) company operating funds. The first two accounts are to contain no funds other than those for which they are designated.
- A security deposit is to remain in the appropriate account for as long as there is no reason to refund it or charge any cost against it.
- A rental receipt should be deposited the appropriate account before the rental management company takes its commission or fee.
- Deposit funds promptly, preferably daily, into the proper account(s). Disburse funds promptly when due.
- Duplicate deposit tickets should be retained in company records to verify deposit dates, amounts, and sources of funds.
- All check stubs should have an explanation of the purpose of that check. Checkbooks should be balanced regularly with dated deposits noted on the check stubs.
- Any interest earned should be transferred to the general account, as it is earned.
- A list of funds being held for others should be maintained and should be consulted and marked with any changes insuring an accurate knowledge of the amount needed in the trust accounts.
- Lease files should contain a copy of the management agreement between the company and the owner of the property, copies of the statements to the owners as to records of rent received and disbursed, and maintenance bills.
- Maintain separate cards for each property with the information on security deposits, rent receipts and disbursements to owners, or mortgage payments made on behalf of owners.